

HUNGARY TOURISM REPORT 2008

ANNUAL TOURISM REPORTING TEMPLATE

1. INTRODUCTION

Council Decision 86/664/EEC of 22 December 1986¹ establishing a consultation and cooperation procedure in the field of tourism foresees that “each Member State shall send the Commission, once a year, a report on the most significant measures it has taken and, as far as possible, on measures it is considering taking in the provision of services for tourists which could have consequences for travellers from the other Member States”.

With the publication of the “Agenda for a sustainable and competitive European tourism”, the Commission announced that “in order to strengthen the collaboration with and among Member States, their current annual reporting through the Tourism Advisory Committee (TAC) will be used to facilitate the exchange and the dissemination of information about how their policies and actions safeguard the sustainability of tourism”.

This Communication was welcomed by the Competitiveness Council conclusions (22nd-23rd November 2007) and by the Presidency Conclusions of the Brussels European Council of 14th December 2007.

The main aims for the reporting process are:

- to be able to monitor the level of implementation of the “Agenda for a sustainable and competitive European tourism” by Member States;
- to facilitate the exchange of experiences among member States with regard to how they tackle issues which are important for the competitiveness and sustainability of European tourism.

MS reports referring to year n shall be sent to the European Commission by the end of February of year $n+1$.

If the reports are sent in English, the deadline is shifted to the end of April.

2. ORGANISATIONAL STRUCTURE

This section should provide an overview of the main organisational structure to illustrate how tourism is organised and managed, to identify linkages and to identify the engagement of other organisations/stakeholders.

The information required will only need to be prepared fully in year 1 as it will subsequently only be necessary to provide details of any changes.

¹ Official Journal L 384, 31/12/1986 P. 0052 – 0053.

HUNGARY TOURISM REPORT 2008

2.1 Please identify the National Bodies responsible for tourism (Ministry and also any separate/related National Tourism Organisation), including key areas of responsibility, and their relationship to other national bodies. (maximum of 1.000 characters)

Government responsibility for tourism rests with the Ministry of Local Government. The Ministry oversees the activities of municipalities, housing issues, sports and tourism. The Minister performs tourism-related tasks through the State Secretary for Tourism and supervises the activities of the Hungarian National Tourist Office (HNTO), which is responsible for tourism promotion in Hungary and abroad. The State secretariat is responsible for the elaboration and implementation of the National Tourism Development Strategy, the legislative tasks regarding tourism, management of the yearly allocated Tourism Fund, international tourism co-operation, and since 2009 covers government responsibilities as regards the restaurant and catering industry.

The Hungarian National Tourism Office was established in 1994 with the core objective of improving Hungary's image domestically and abroad, thereby helping to increase revenues from domestic and inbound tourism. The HNTO carries out its international marketing operations mainly through its global network, which consists of over 20 representations abroad.

2.2 Please, describe what organisations/agencies are used to deliver services at the national and regional level and the services that they deliver. (maximum 800 characters)

The State Secretariat for Tourism has a close co-operation with other government departments regarding tourism related issues (Ministry of Culture – cultural tourism, Ministry of Agriculture – rural tourism development, Ministry of Environment – ecotourism, Ministry of Foreign Affairs – travel advisories, visa issues), the National Statistical Office, regarding tourism Statistics and the National Development agency as regards tourism related development schemes and tourism part of the regional operative programs. It also closely co-operates with the major industry organisations and professional associations.

The country is divided into nine tourism regions. For the coordination of tourism-related issues at regional level, Regional Tourism Committees (RTC) have been established in 1998 in each region with the participation of trade associations, local government representatives and tourism experts. The activity of the RTCs is supported by Regional Marketing Directorates of the Hungarian National Tourist Office (HNTO) which are responsible for regional tourism promotion.

2.3 Please, describe which other bodies and organisations are involved at the national level and the process for involving them. (maximum 800 characters)

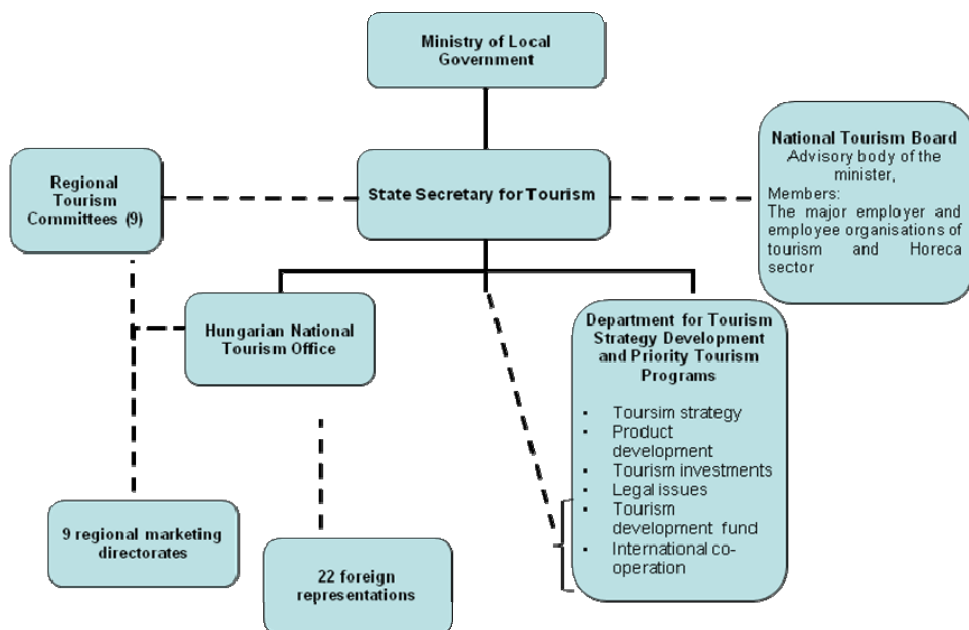
A Standing Committee on Sport and Tourism of the National Assembly (Parliament) is responsible for taking initiatives, making proposals and participating in the supervision of government work as regards tourism.

The National Tourism Committee (NTC) serves as an advisory body of the Minister responsible for tourism since 1996). The committee includes representatives of the main tourism business organisations and the Regional Tourism Committees. It discusses all the major tourism related issues and advises the minister in strategic issues.

To develop cooperation and social dialogue between the government and the tourism industry, the National Tourism Employers' Association, and the Trade Union of the Hungarian Tourism and Catering Employees have established the Tourism and HORECA (Hotels, Restaurants and Catering) Branch Dialogue Committee. This Committee represents the interests of these branches in the negotiations with government in its efforts to find new ways for the further development of the tourism industry and to solve the different problems facing these branches. The committee constitutes part of the national social dialogue process and regular meetings are organised. The main representatives of the Committee are members of the National Tourism Committee.

HUNGARY TOURISM REPORT 2008

2.4 Please provide a diagram/organogram of the organisational structure for tourism identifying the relationship between national, regional and local bodies. Provide also a short description of the core responsibilities and competencies of each of the organisations. Include also information regarding the direct and indirect links between other departments, stakeholder organisations and unions. Information about mechanisms of decision making process participation from outsider organisations, e.g. forums, advisory committees is also requested. (maximum of 2.000 characters)



The competencies are described under 2.1-2.4

2.5 Please provide information about financial data, including spend/budget on tourism as a percentage of overall government spend/budget, the level of national funding support for tourism marketing, the amount of EU funding support made available for tourism and data concerning the support to SMEs and Destinations. (500 characters)

The state budget which is 100 billion EUR includes a yearly allocated Tourism Fund, which is dedicated to support specific tourism development schemes and to finance tourism promotion. In 2008 27 million EUR was allocated from the budget for this purpose which comprises 0,027 % of the total budget. The government allocation for tourism marketing purposes took 71 % of the Tourism Fund in 2008.

On the basis of the National Development Plan of Hungary in the 2007-2013 EU budgetary period approximately EUR 1.197 billion is expected to be allocated to the regions mainly for tourism attractions, accommodation development and for establishment of the destination management system. Tourism development projects will be realised through the Regional Operative Programmes, funds available for tourism development covers 4.7 % of the total available EU funds.

HUNGARY TOURISM REPORT 2008

Main measures in 2007-2008:

1.) Development of tourist attractions

Main areas: thermal and health resorts, castles and fortresses, visitor friendly reconstruction of museums, natural parks, visitor centres, theme and adventure parks (EU support 160 M EUR, total investment 280 M EUR)

2.) Development of commercial accommodation and related services

(EU support 90 M EUR, total investment 370 M EUR)

Together 247 project was supported by 250 million EUR EU structural funds, so the generated investment amount with the own resources of the project owners amounts 650 million EUR

Above this amount the Government supports through the EU Structural Funds 26 major tourism projects of specific importance by 210 million EUR

3. POLICIES AND STRATEGIES

3.1 Is there a current National Strategy for tourism? **Yes** + **No** ☐

If yes, please, provide information in bullet point format about the key aims, objectives and priorities of the strategy highlighting those that are designed to address sustainability issues in economic, environmental and social terms in particular those related in the six aims included in the Agenda. In preparing the tourism strategy, explain how consideration has been given to the 9 principles set out in the Agenda (para2.3 p5) and given in the appendix. (maximum 1.000 characters)

A National Tourism Development Strategy (NTDS) for the period to 2013 was approved by the government in 2005 after a wide consultation process with the involvement of tourism experts and all stakeholders of the sector, regional and national professional and political bodies. The Implementation Plan containing the governmental interventions for two years defined as a major goal to be the priorities of the NTDS incorporated into the country's National Development Plan (New Hungary Development Plan). The document has been elaborated from a new approach, namely that tourism is not only a sector of economy but an integral part of life. Accordingly, the main objective is to improve the quality of life by sustainable tourism development. The key Areas of NTDS are as follows:

People oriented and long-term profitable development

- Improvement of competitiveness of domestic tourism
- Optimization of tourism effects on life quality
- Fair income for the entrepreneurs and an enjoyable stay for tourists.

Development of attractions

- Product development (priority should be given on the national level to spa and wellness health tourism, heritage tourism, cultural attractions, ecotourism, MICE tourism)
- Destination development
- Development of priority destinations

Improvement of conditions of tourist reception

- Improvement of accessibility of tourist attractions
- Improvement of comfort of visitors (accommodation, etc)

Development of human resources

- Market conform transformation of education
- Creation of stabile employment
- Changing of attitudes

Creation an effective operational system

- Reflecting subsidiarity in the structure, strengthening regional capacities with the enhancement of co-financing and co-decision making of tourism stakeholders.
- Creation local destination management organizations
- Transformation of the institution system in the regions

Horizontal objectives

- ✓ Equal opportunities: accessibility improvement
- ✓ Sustainability: economic, social, environmental

HUNGARY TOURISM REPORT 2008

- ✓ Cross border tourism development: interregional cooperation
- ✓ Youth tourism: coordinated activity in line with special needs
- ✓ The experience chain establishment

3.2 Who was the initiator and who is responsible for its implementation? (maximum 200 characters)

The initiator of the strategy was the National Tourism Authority (predecessor of the State Secretariat for Tourism) and the National Tourism Committee. The responsibility of implementation in respect of governmental interventions lies upon the State Secretariat for Tourism in co-operation with all the relevant and involved governmental bodies. Partnership is expected from private sector stakeholders and NGO-s.

3.3 How is the strategy monitored and how often? (maximum 500 characters)

The implementation of the National Tourism Development Strategy is monitored by a Monitoring Committee where all the relevant government departments, professional tourism organisations and NGOs are represented. The Committee makes a yearly overview of the implementation. Paralelly a regular report is conveyed to the National Tourism Committee and the Standing Committee on Sport and Tourism of the National Assembly

3.4 What tourism specific legislation exists? (maximum 500 characters)

The main existing tourism related legislations are as follows:

Government Decree on travel contracts (281/2008)
Government Decree on Travel Organization and Agency Activities (213/1996.)
Minister Decree on tour guides (41/1995.)
Minister Decree on the classification of commercial and private accommodation and the qualification of rural tourism accommodation (45/1998.)
Government Decree on utilization of private accommodations (110/1997.)
Government Decree on rural tourism activities (136/2007.)
Minister Decree on equestrian activity (14/2008)

A Tourism Act: proposal has been presented by the Government to the Parliament in May 2008, the act is under negotiation. The Hungarian text is available on the website of the National Assembly:
<http://www.parlament.hu> (T/5655)

4. MEASURES AND INITIATIVES

This section provides Member States with an opportunity to outline specific initiatives and policies that are or are going to be adopted to manage and develop tourism activity in ways which respond to the key challenges of the Agenda and which fall within the six main aims of the Agenda itself.

1 Economic prosperity

- a. To ensure the long term competitiveness, viability and prosperity of tourism enterprises and destinations.
- b. To provide quality employment opportunities, offering fair pay and conditions for all employees and avoiding all forms of discrimination.

HUNGARY TOURISM REPORT 2008

2 Social equity and cohesion

- a. To enhance the quality of life of local communities through tourism, and engage them in its planning and management
- b. To provide a safe, satisfying and fulfilling experience for visitors, available to all without discrimination by gender, race, religion, disability or in other ways.

3 Environmental and cultural protection

- a. To minimise pollution and degradation of the global and local environment and the use of scarce resources by tourism activities.
- b. To maintain and strengthen cultural richness and biodiversity and contribute to their appreciation and conservation.

4.1 Please set out, briefly, the steps which have been or will be taken, if any, to address the 7 key challenges for the delivery of sustainable and competitive tourism, covered in the TSG report and referred to in the 'Agenda'.

4.1.1 Reducing the seasonality of demand. (maximum 200 characters)

In the National Development Plan until 2013 1.197 billion EUR can be spent for tourism development as indicated in point 2.5, mainly for tourism attraction development, accommodation development and for the establishment of destination management system. The developments contribute to the establishment of high quality tourism services and widening the tourism offer throughout the whole year.

In the priority tourism product development areas detailed substrategies are established outlining the major aims and development measures. A substrategy has been already elaborated in health and spa tourism, ecotourism and equestrian tourism development. A cultural and a youth tourism one is under development. These strategies serve partly quality development of the main tourism products, partly to decreasing the seasonality through widening the product offers throughout the whole year. It gives guidelines to the evaluation of applications for funding of developments and supports co-operation between the governmental bodies and industry organisations.

One of the main objectives of the Hungarian National Tourist Office is to reduce the seasonality of inbound and domestic demand in order to help the sustainability of the sector. Some major marketing actions in co-operation with the service providers also contribute to decreasing the seasonality. In the field of inbound tourism, the most successful measure has been the Budapest Winter Invitation campaign that aims at inviting tourists to Budapest off the high season: between the 1st of November and the 31st of March. This is the third year of this campaign that attracts more and more visitors to the Hungarian capital while more and more hotels and other service providers join the campaign. What refers to domestic tourism, the Hungarian National Tourist Office has several initiatives with the regions and service providers (for example 2=3 or 3=4 nights in hotels) to help reducing seasonality in the framework of the so called thematic years (2006: the Year of Gastronomy, 2007: the Year of Ecotourism, 2008 the Year of Water tourism, 2009: the Year of Cultural Tourism, 2010: the Year of Festivals). Through thematic year promotions the HNTTO promotes a specific product through the whole year by this generating demand towards certain tourism products all over the year.

The promotion of off-season mega events like Budapest Spring Festival also contribute to decreasing seasonality. The HNTTO also stimulates the utilization of the holiday cheques for domestic travelling which also contributes to decreasing seasonality. The HNTTO has developed the national tourism database as a united source of tourism information to public and professionals which makes the all

HUNGARY TOURISM REPORT 2008

year round events available.

The first results of developments can be measured as regards the seasonality. Even though the average stay of tourists did not change in 2007, the share of the first 4 months in the total demand increased by 5 %.

4.1.2 Addressing the impact of tourism transport. (maximum 200 characters)

One of the major areas of improvement of conditions of quality tourism supply is transport communication development (road, train, air transport, bicycle routes, water transport). Due to major highway constructions the bordering countries can be reached by motorway from the capital, by this decreasing the CO2 emission burden on the surrounding cities and villages. As regards the train transport intercity communication was strengthened, the reconstruction and modernisation of the railway carriages and stations have started. In the reconstruction of railway stations modern visitor friendly communication methods are used.

The water communication infrastructure development is also supported by the National Development Plan. The development has partly started on the major lakes, while the utilisation of the Danube and Tisza as a transport route has not yet started.

One of the major areas of transport development where the impact of transport is less harmful on nature is bicycle route development. A national bicycle route development program has started where 200 million EUR development fund is available until 2013. Between 2006-08 167 km bicycle route was financed by 20 million EUR support from this fund.

4.1.3 Improving the quality of tourism jobs. (maximum 200 characters)

In the area of human resource development we have to analyse the results of the new structure of the vocational training and higher education system and analyse it in the light of the new labour market trends of the industry. A co-operation has started between the relevant governmental bodies (Ministry of Social Affairs, Ministry of Education and Culture, Tourism and HORECA Branch Dialogue Committee). Short term aim is to overview the knowledge base of the recently graduated generation and the real market needs of the industry and establish guidelines for education while respecting the independence of the educating institutions.

Another important aspect is the hospitality and tourism responsibility awareness raising in the education system. In this area marketing campaigns and facultative educational programs are envisaged.

Despite the sector's important role in employment (303 thousand-7,9 % tourism direct), the recognition of tourism jobs did not improve since 2003: generally low salary is offered, and efforts are needed to further develop the share of registered employees.

4.1.4 Maintaining and enhancing community prosperity and the quality of life, in the face of change. (maximum 200 characters)

Tourism is one of the elements that contribute significantly to the quality of life as well as to the prosperity of local communities. The major tourism infrastructure and attraction developments are also beneficial for the local community wellbeing. In order to convince people about the significance of tourism and involve them in tourism both as tourists and as hosts, in 2009 the Hungarian National Tourist Office plans a campaign called: Friendly Hungary. The campaign aims at changing people's and service providers' attitudes towards Hungarian and foreign tourists.

For measuring well-being, the Ministry of Local Government has taken an innovative approach to tourism strategic planning that aims to improve quality of life (QoL) through tourism. For this purpose a so-called "Budapest TQoL model" has been elaborated with International tourism experts and policy

HUNGARY TOURISM REPORT 2008

makers.

The survey of the Ministry measured the impacts of tourism on QoL, going beyond standard economic indicators and including previously under-researched social and cultural dimensions. The feasibility and applicability of the methodology was tested among visitors and residents in a pilot study in 11 countries, which was the first extensive study of this topic in the world.

The index produced as a result of the QoL pilot study can be a significant tool for tourism decision-makers. The index is currently being refined following feedback from international experts in QoL theory and practice. (The final version will be available in 2009.)

4.1.5 Minimising resource use and the production of waste. (maximum 200 characters)

For the time being there is no systematical national approach to this challenge, rather voluntary initiatives exist. As a first step on national level it was initiated that projects submitting a proposal for financial support of the National Development Plan are supposed to have/apply a scheme/activities on environment protection.

The most important voluntary action in this field is the Green Hotel award initiative of the Hungarian Hotel Association which stimulates minimising resource use and production of waste. In the remuneration process criteria like hotel environment, sustainable energy consumption, selective waste management, water consumption, customer information on environment protection is evaluated.

Some specific events also target this aim, like sustainable festivals using only recyclable materials by this significantly decreasing the waste burden and selective waste management or through co-operation with the railway company offering reduced tickets for sustainable transport methods. Another good example is the initiative of establishment of an ecologically sustainable open air bath, an ecobeach where wide range of energy saving methods are applied and bio products are served to public.

4.1.6 Conserving and giving value to natural and cultural heritage. (maximum 200 characters)

In the National Tourism Development Strategy the second most important product development area is heritage tourism. One important part is ecotourism which contributes to the enjoyment of tourism, of natural and cultural heritage in an environmentally responsible way. A National Ecotourism Strategy has been elaborated in 2008 for developing this tourism product in harmony with nature protection and tourism interests in a sustainable way. The strategy covers the development priorities of infrastructure and service developments, human development needs, marketing, promotion, visitor management developments, institutional changes and the ways of implementation.

Cultural tourism (including cultural heritage) is one of the key tourism products Hungary offers to foreign and domestic visitors. We work together closely with organizations responsible for the Hungarian cultural heritage in order to achieve both objectives: conserving the cultural heritage and showing it to a wide public. In 2009 the HNTA promotes cultural heritage in the framework of the Year of Cultural Tourism which means that they focus financial resources on cultural tourism this year.

Natural heritage is as important as cultural heritage. In 2007 the theme of the year was green tourism, and marketing resources and tools were focused on national parks and other green tourism products. According to the detailed evaluation at the end of the year, it was a highly successful initiative that helped to change attitudes towards green tourism. The campaign had a great role in increasing the number of visitors to national parks, as well. After his thematic year, the HNTA went on promoting natural heritage hand in hand with the organizations responsible for conserving Hungary's natural heritage.

HUNGARY TOURISM REPORT 2008

4.1.7 Making holidays available to all. (maximum 200 characters)

One of the most useful and effective tools to making holidays available to all and help people to participate in domestic tourism is the Domestic Holiday Cheque system that is managed by the Hungarian National Foundation of Recreation. The number of people possessing the holiday cheques was increasing significantly, at the end of 2008 it reached 2 million people. The foundation ensures preferential holiday cheques from their own resources to socially disadvantaged people. The subsidy reaches people through open tender, the allocation is based on transparent normative considerations and a minimum amount of self financial contribution. During the last 3 years 350 thousand socially disadvantaged people could benefit from the holiday cheques by this contributing to the improvement of their quality of life. (see detailed in 4.3)

Furthermore the State Secretariat for Tourism of the Ministry of Local Government is planning a tender for establishing a national database gathering all qualified barrier free services and service providers to be put on a central website. Through this facility people with disabilities will get access to all the information about the barrier free services they need for a pleasant holiday (local transport, accommodation and other tourism services).

4.2 As key challenges may change over time, please identify any other areas that are becoming a new challenge. (maximum 600 characters)

One of the major challenges we face is how to manage the consequences of international financial crisis and the economic decline on tourism, what measure can be envisaged to maintain tourism growth, competitiveness while not losing sight of the sustainability principles.

We also face a problem of measuring the tourism flow, after the accession to the Schengen system of the majority of the EU countries we need new methods of measuring tourism flow as border statistics have disappeared and the accommodations statistics do not cover the whole range of tourism flow.

Another issue is like seasonality, the geographical concentration of tourism flows which challenge must be answered too.

4.3 Please identify and describe a specific initiative, which is related to the 7 key challenges, that is innovative/ successful and which would be of interest to or of help to other Member States. (maximum 2.000 characters)

One of the most effective tools in Hungary to make holidays available to all is the Domestic Holiday Cheque system established in 1998 that is managed by the Hungarian National Foundation of Recreation. The Foundation, established by the Government and the confederation of 6 trade unions, performs partly the task of the management of the cheque system, partly supports the employees with low income, people with social disadvantages, disabilities, pensioners and their families with holiday and relaxation possibilities.

In Hungary the law ensures tax and affix exemption till the value not exceeding the actual Hungarian minimum salary (in 2008 282 EUR) for both economic organisations, central and local governments, public organisations and private customers buying preferential holiday cheques. It means that the cheques represent a net income for the employees, while it is only a corresponding amount of cost for the employer.

The number of people possessing the holiday cheques was increasing significantly, at the end of 2008 it reached 2 million people. The foundation ensures preferential holiday cheques from their own resources to socially disadvantaged people. The subsidy reaches people through open tender, the allocation is based on transparent normative considerations and a minimum amount of self financial

HUNGARY TOURISM REPORT 2008

contribution. During the last 3 years 350 thousand socially disadvantaged people could benefit from the holiday cheques by this contributing to the improvement of their quality of life.

In 2008 the purchase of the cheques has increased as it was specified by the law that civil servants may receive holiday allowance in the form of holiday cheques, thus ensuring the employees holiday and relaxation. It is not only the employees but their family members or close relatives as well can get the cheques.

The Foundation ensures holiday cheques from their own resources to socially disadvantaged people. The subsidy reaches people through open tender, the allocation is based on transparent normative considerations and a minimum amount of self financial contribution of the applicant. During the last 3 years 350 thousand socially disadvantaged people could benefit from the holiday cheques by this contributing to the improvement of their quality of life. In 2008 the Foundation through its social tenders gave holiday cheque allowance for 64.500 candidates in an amount of 8.8 million EUR, an average of 126 EUR per person.

The number of places where cheques are accepted and the range of services expand, recently 10 thousand service providers accept in 17 different service categories (accommodation-70%, travelling by public facilities-10%-, cultural programs, thermal bath and illness prevention, restaurant services, leisure sports etc). The growing number of utilized holiday cheques at accommodations indicates that it has significantly contributed to the increase of domestic tourism, which is among the priorities of the Hungarian National Tourist Office. Therefore the HNTTO stimulates the use of Holiday Cheques by promoting this possibility through its various marketing tools

5. MECHANISMS FOR IMPLEMENTATION

Three mechanisms for implementing the Agenda were identified in the "Agenda": sustainable destinations, sustainable businesses and responsible tourists.

5.1 Sustainable destinations: What support is given to strengthen destination management at the regional/ destination level (supportive policy environment, knowledge networks, training programmes, establishment of measures/indicators for benchmarking, etc.)? (maximum 600 characters)

The Hungarian tourism is facing a new face of institutional development, namely the establishment of the system of destination management organisations from local through regional to national level with full competencies and financial basis. The establishment of a well based destination management system with all related tourism stakeholders in Hungary, covering the full range of tourism planning, product and attraction development, management of information and booking systems, project management, research and marketing, human resource developments, co-ordination of stakeholders activity and administrative tasks comprises a major part of the institutional part of the National Tourism Development Strategy. This program is supported by the Regional Operative Programs of the National Development Plan, starting with funding support in 2009 for the establishment of the local TDM organisations, followed by the regional level in 2010. The available resources for this program amount 14 million EUR for financing the establishment of the technical framework of these organisations.

For supporting this development the State Secretariat has developed a TDM operational manual covering the basic guidelines, an electronic learning program, application handbook, legal organisational support handbook and the whole program was supported by a wide range of local and regional information workshops. A TDM web portal is under development for interactive information exchange. The public tender for financial support will be published in spring 2009.

5.2 Sustainable businesses: What support is given to strengthen the sustainability and competitiveness of businesses (supportive policy environment, orientation of business support services to sustainability, training, financial incentives, etc.)? (maximum 600 characters)

HUNGARY TOURISM REPORT 2008

For supporting sustainable businesses in Hungary we work on establishing supportive legal and policy environment and endeavour to give orientation for businesses to incorporate sustainability principles in their decisions.

As regards the legal framework we modernised the Government Decree on travel contracts (281/2008) in harmony with the new EU Service directive and passed a Government Decree on rural tourism activities (136/2007.) stimulating rural tourism accommodations and related services through taxation incentives and a Minister Decree on equestrian activity (14/2008) giving impetus and clear regulation to quality services for this segment of the tourism industry.

As regards the sustainability orientation for businesses the economic, social and environmental aspects of sustainable development are taking into consideration in the evaluation process of all the applications for funding from the Regional Development Programs of the National development Plan.

For the orientation of the members of the evaluating committees an evaluation guideline and criteria system was elaborated by the National Development Agency with the active participation of the State Secretariat for Tourism of the Ministry of Local Government.

In the economic indicators of a local tourism development we pay attention to the utilisation of local workforce, local products, and local subcontractor chains. As regards the social aspects priority is given to maintain and preserve local workforce, to development of quality of life of locals through established services. Local community partnerships are preferred in project evaluation as well as the improvement of the quality of access to local cultural and natural heritage.

As regards the environmental aspects of the project evaluation, preference is given to developments paying attention to sustainable means of transport, increased accessibility by using alternative transport methods (public transport, cycling) in case of increased environmental burden an off-setting mechanism is to be established.

5.3 Responsible tourists: What support is given to promote responsible choices by tourists (e.g. sustainability in education, national marketing and media campaigns, promotion of certification schemes)? (maximum 600 characters)

On the initiative of the Ministry of Local Government an Ecotourism strategy has been elaborated in Hungary in which specific attention is given to responsible tourist approach and an attempt is envisaged to establish a code of ethics for ecotourists, assisting awareness raising for tourists to remain in harmony with nature during tourism activity.

Parallel to this initiative the State Secretariat for Tourism proposed an in-house awareness raising campaign about responsible tourist behaviour within the Ministry. The first results will be tested during the year and next actions will be envisaged based on the first responses and results.

The Hungarian National Tourist Office also participates in several actions that aim at enhancing the knowledge and consciousness of tourists regarding their responsibility for the environment. Different awards – like Entente Florale for cities and villages or Rosemary Award for restaurants with best floral milieu, or the Green Hotel award are also serving to raise awareness of tourists towards regions, service providers with environmentally responsible business attitude.

The Ministry of Local Government is preparing this year an awareness raising campaign on hospitality behaviour and positive attitude to tourists.

6. DATA AND INDICATORS

Eurostat will provide, as an annex, the key statistical data required to support the reporting process covering around 20 indicators². These are mainly related to the aim of 'economic prosperity'.

² These indicators have been selected from the 50 TSG indicators on the basis of the possibility to calculate them at the European level.

HUNGARY TOURISM REPORT 2008

Please, identify indicators that are being used or developed which could add to the range of information being provided by Eurostat, particularly in relation to social and environmental issues (other indicators from the TSG report, visitors/ residents satisfaction, etc.). (maximum 500 characters)

One of the possible indicators for measuring the social aspects namely the role of tourism in quality of life can be the "Budapest TQoL model" described in point 4.1.4.

7. COMPLEMENTARY ADDITIONAL INFORMATION

If necessary use the following box to provide additional complementary information that has not already been covered.

As requested during the TAC meeting, please find enclosed the major tourism figures of tourism development and the measures we implemented in tourism in response for the economic crisis.

- **General information on the tourism sector of Hungary**
 - Important branch of the economy, its **contribution to the GDP: 8.5%** (direct + indirect impacts)
 - **Employment: 490.000 persons** (12.5% = every eighth people working in the field of tourism)
 - January and September 2008 the **foreign currency receipts** generated by the tourism industry reached EUR 3.12 billion, an increase of 17.6% compared to 2007.
- **Main results of the tourism sector**
 - **In 2008-ban at commercial accommodations**
 - 7,6 million guests spent
 - 19,8 million guest nights.
 - The number of **guests increased by 1.5 %** while the guest nights at **commercial accommodations decreased by also 1.5 %**.
 - Despite of the signs of the economic crisis at the last quarter of 2008, the tourism industry could realise its second best year during the last 20 years, biggest number of guests and second largest amount of guest nights.
 - The **major driving force** of tourism now is more and more the **domestic tourism**. (50%)
 - The number of foreign guests increased by 1.1% (to 3.5 million), while their guest nights decreased by 2,3 % (amounting 9.9 million guest nights).
 - The **average stay** –in harmony with international trend- decreased a bit in Hungary too, it is **2.8 nights**.
 - **Major source markets:**
 - **Germany, Austria UK, USA and Italy**, but unfortunately the guests and guest nights are decreasing from these countries except UK, where the number of guests and guest nights are increasing, but the tendency changed since September.
 - **Structural changes:**
Positive changes can be experienced on some important markets: Poland (+34%), Czech Republic (+32%), Romania (+21%), Russia (+17%) and Norway (+29%).
 - From **overseas markets**, mainly the USA and Japan the guest nights decreased (by -10%, -26% respectively). The only exception is China where we had had an increase of guest nights by 13 %.
 - **Domestic tourism**
 - **Covers 50%** of the total, the number of guests increased by 2 % (4,1 million) while guest nights decreased by 0,7 % (9.9 million).

HUNGARY TOURISM REPORT 2008

- **Holiday cheque system** plays an important role in stimulating domestic tourism, in 2008 it contributed to the increase of the quality of life of almost 2 million people. The National Holiday Foundation issued cheques in the amount of 41 milliard forint (30% increase compared to previous year), the number of companies accepting the cheques increased to 12.000. The number of people in low income families, disabled people, pensioners who receive the cheques in form of social support increased from 43.000 to 65.000.

The signs of the crisis and the implemented measures

- ✓ We experienced growth of incoming tourism since August 2007 until mid 2008 while in second half, mainly in **last quarter we experienced decline**, which resulted in the earlier mentioned overall decrease of guest nights by 1.5 % (though the number of guests increased).
- ✓ In **September, November and December** we experienced a **4-5 % decrease in the incoming tourism** which is partly balanced by domestic tourism which only decreased in November and December.
- ✓ According to the **survey** made by the HNTTO in December, the economic crisis **will affect 62,4 % of the „travelling part” of the society**, they will spend less money on travelling and in many cases make decisions just before the travel.
- ✓ In holidays the **closer destinations and domestic tourism will be upgraded**, the **lengths of holiday stay decrease**, closer destinations which can be reached by car, bus or train will be appreciated. The spent **cost per travelling is decreasing** therefore destinations with good **value for money** will be more popular, destinations where currency got weaker are a bit more attractive. The exchange rate will be crucial in case of some destinations, they have to compete by their prices.
- ✓ **MICE tourism will slow down**, the postponement of incentives will prevail, late booking and lower level of services will be the main tendency. Even more decrease can be predicted in business travel.
- ✓ The importance of domestic tourism will increase, and special **attention will be rendered to discounts and bonus offers**. Many will choose cheaper destinations and less and lower quality services will be chosen. Significant price competition can be envisaged between the service providers.
- ✓ Most probably the number of off-season travels, the **second-third holidays will decrease** and it is a major concern for Hungary that the demand for city breaks might diminish.
- ✓ The responding households states that the **sun and beach holidays and health related holidays and health treatment holiday will most probably survive** without major effect.

Hungarian responses to the crisis

- The HNTTO concentrates its resources to the **closer and neighbouring source markets**.
- It started a **winter campaign** in Germany, Austria, the V4 countries, Romania Russia and Ukraine.
- We put efforts to attracting car and bus travellers to Hungary (Easter part of Germany)
- The **Budapest Winter Invitation** campaign (pay 3 get 4 nights) has been prolonged and a similar one will be introduced in summer period.
- Due to unfavourable currency rate the HNTTO has to overview and **rationalize its foreign representations network**. On the overseas markets it will have maintaining promotion with less financial resources, paralelly tightens its co-operation with the V4 countries and ETC.
- The HNTTO will **strengthen its co-operation with service providers** through jointly financed actions, like Air Marketing Fund or as a new initiative Bus Marketing Funds.
- The promotion of domestic tourism will be increased in co-operation with the regions and service providers. The **concentrated thematic year promotions** will be strengthened, this year the theme is the Cultural tourism, next year the Festivals.
- The HNTTO will stimulate the utilization of the holiday cheques for domestic travelling.
- The marketing office will **strengthen the image of the visitor friendly and**

HUNGARY TOURISM REPORT 2008

hospitality attitude of service providers and the population through competitions and awards, like Entente Florale competition for cities, villages, restaurants.

- The State Secretariat will launch an **awareness raising campaign** on hospitality behaviour through the media and modern communication channels.
- Some **major new and traditional mega events** will be supported, like the Formula 1 race, Sziget Festival, Budapest Spring Festival.

APPENDIX

Principles of sustainable tourism:

- **Taking a holistic and integrated approach**

All the various impacts of tourism should be taken into account in its planning and development. Furthermore, tourism should be well balanced and integrated with a whole range of activities that affect society and the environment.

- **Planning for the long term**

Sustainable development is about taking care of the needs of future generations as well as our own. Long term planning requires the ability to sustain actions over time.

- **Achieving an appropriate pace and rhythm of development**

The level, pace and shape of development should reflect and respect the character, resources and needs of host communities and destinations.

- **Involving all stakeholders**

A sustainable approach requires widespread and committed participation in decision making and practical implementation by all those implicated in the outcome.

- **Using best available knowledge**

Policies and actions should be informed by the latest and best knowledge available. Information on tourism trends and impacts, and skills and experience, should be shared across Europe.

- **Minimising and managing risk – the precautionary principle**

Where there is uncertainty about outcomes, there should be full evaluation and preventative action should be taken to avoid damage to the environment or society.

- **Reflecting impacts in costs – user and polluter pays**

Prices should reflect the real costs to society of consumption and production activities. This has implications not simply for pollution but for charging for the use of facilities that have significant management costs attached to them.

- **Setting and respecting limits, where appropriate**

HUNGARY TOURISM REPORT 2008

The carrying capacity of individual sites and wider areas should be recognised, with a readiness and ability to limit, where and when appropriate, the amount of tourism development and volume of tourist flows.

- **Undertaking continuous monitoring**

Sustainability is all about understanding impacts and being alert to them all the time, so that the necessary changes and improvements can be made.